

107TH CONGRESS
1ST SESSION

H. R. 322

To amend the Internal Revenue Code of 1986 to allow a deduction for
State sales taxes in lieu of State and local income taxes.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 31, 2001

Mr. BAIRD (for himself and Mr. CLEMENT) introduced the following bill;
which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow a
deduction for State sales taxes in lieu of State and
local income taxes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Tax Deduction Fair-
5 ness Act of 2001”.

6 **SEC. 2. DEDUCTION OF STATE GENERAL SALES TAXES IN**
7 **LIEU OF STATE AND LOCAL INCOME TAXES.**

8 (a) IN GENERAL.—Subsection (b) of section 164 of
9 the Internal Revenue Code of 1986 (relating to definitions

1 and special rules) is amended by adding at the end thereof
 2 the following new paragraph:

3 “(5) STATE GENERAL SALES TAXES.—For pur-
 4 poses of subsection (a)—

5 “(A) ELECTION TO DEDUCT STATE SALES
 6 TAXES IN LIEU OF STATE AND LOCAL INCOME
 7 TAXES.—

8 “(i) IN GENERAL.—At the election of
 9 the taxpayer for the taxable year, sub-
 10 section (a) shall be applied—

11 “(I) without regard to the ref-
 12 erence to State and local income
 13 taxes,

14 “(II) as if State general sales
 15 taxes were referred to in a paragraph
 16 thereof, and

17 “(III) without regard to the last
 18 sentence.

19 “(B) DEFINITION OF GENERAL SALES
 20 TAX.—The term ‘general sales tax’ means a tax
 21 imposed at one rate in respect of the sale at re-
 22 tail of a broad range of classes of items.

23 “(C) SPECIAL RULES FOR FOOD, ETC.—In
 24 the case of items of food, clothing, medical sup-
 25 plies, and motor vehicles—

1 “(i) the fact that the tax does not
2 apply in respect of some or all of such
3 items shall not be taken into account in
4 determining whether the tax applies in re-
5 spect of a broad range of classes of items,
6 and

7 “(ii) the fact that the rate of tax ap-
8 plicable in respect of some or all of such
9 items is lower than the general rate of tax
10 shall not be taken into account in deter-
11 mining whether the tax is imposed at one
12 rate.

13 “(D) ITEMS TAXED AT DIFFERENT
14 RATES.—Except in the case of a lower rate of
15 tax applicable in respect of an item described in
16 subparagraph (C), no deduction shall be allowed
17 under this paragraph for any general sales tax
18 imposed in respect of an item at a rate other
19 than the general rate of tax.

20 “(E) COMPENSATING USE TAXES.—A com-
21 pensating use tax in respect of an item shall be
22 treated as a general sales tax. For purposes of
23 the preceding sentence, the term ‘compensating
24 use tax’ means, in respect of any item, a tax
25 which—

1 “(i) is imposed on the use, storage, or
2 consumption of such item, and

3 “(ii) is complementary to a general
4 sales tax, but only if a deduction is allow-
5 able under this paragraph in respect of
6 items sold at retail in the taxing jurisdic-
7 tion which are similar to such item.

8 “(F) SPECIAL RULE FOR MOTOR VEHI-
9 CLES.—In the case of motor vehicles, if the rate
10 of tax exceeds the general rate, such excess
11 shall be disregarded and the general rate shall
12 be treated as the rate of tax.

13 “(G) SEPARATELY STATED GENERAL
14 SALES TAXES.—If the amount of any general
15 sales tax is separately stated, then, to the ex-
16 tent that the amount so stated is paid by the
17 consumer (otherwise than in connection with
18 the consumer’s trade or business) to his seller,
19 such amount shall be treated as a tax imposed
20 on, and paid by, such consumer.

21 “(H) AMOUNT OF DEDUCTION TO BE DE-
22 TERMINED UNDER TABLES.—

23 “(i) IN GENERAL.—The amount of
24 the deduction allowed by this paragraph

1 shall be determined under tables prescribed
2 by the Secretary.

3 “(ii) REQUIREMENTS FOR TABLES.—

4 The tables prescribed under clause (i) shall
5 reflect the provisions of this paragraph and
6 shall be based on the average consumption
7 by taxpayers on a State-by-State basis, as
8 determined by the Secretary, taking into
9 account filing status, number of depend-
10 ents, adjusted gross income, and rates of
11 State general sales taxation.”.

12 (b) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to taxable years beginning after
14 December 31, 2000.

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